



BRITISH
COLUMBIA

BC STATS

Service BC
Ministry of Labour & Citizens' Services

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Infoline

Issue 06-38

September 22, 2006

- BC's annual inflation rate stays at 2.0% in August
- Retailers have a better month, but wholesale sales slip in July
- R&D spending in the province increases to \$2.3 billion in 2004

Prices

• British Columbia's year-over-year inflation rate remained at 2.0% in August, as the all-items Consumer Price Index (CPI) was unchanged from July. Although increases in energy prices have eased in recent months, consumers still paid 7.4% more for energy as prices at the pump (+10.6%) and the cost of fuel oil (+13.8%) continued to be substantially higher. However, piped gas (-1.1%) cost marginally less than in August of last year. Excluding energy products, BC's inflation rate would have been a more modest 1.5%.

Transportation costs rose 4.6%, as consumers paid more to fill up their gas tanks and for vehicle insurance (+5.0%). Significant price increases for intercity (+4.7%) and taxi & other commuter (+6.5%) transportation were reflected in a 4.4% jump in the cost of public transportation relative to August 2005.

Although energy products contributed to the increase in the CPI, other goods and services also played a role. British Columbians faced moderately higher prices for most types of goods and services. Shelter costs were up 2.5% as homeowners paid 2.9% more for their accommodation, and renters faced an increase of 0.5%. Property taxes (+6.3%) and homeowners' insurance premiums (+4.0%) were also higher. The cost of operating and furnishing a home decreased a modest 0.7%, while clothing prices were up (+3.8%). Consumers paid more for food (+1.9%) and health & personal care (+0.9%). Education cost 2.4% more than in August of last year and students faced a 2.9% increase in tuition fees.

In Vancouver, the inflation rate was 2.1%, while Victoria residents faced more moderate increases (+1.8%) in the cost of goods and services.

Data Source: Statistics Canada

• Year-over-year inflation rates topped the two percent mark in nearly every province last month. Ontario (+1.5%) had the lowest rate in the country and Quebec (+1.6%) and New Brunswick (+1.9%) were the only other provinces with an inflation rate under 2.0%. Residents of Alberta (+4.7%) and PEI (+3.2%) faced the highest price increases, well above the national average (+2.1%). Although gasoline prices remained higher than in August of 2005, an overall slowdown in price increases at the pump was the main contributing factor to a decline in the national inflation rate (from 2.4% in July to 2.1% in August). Data Source: Statistics Canada

The Economy

• Retailers in the province had a better month in July, as sales rebounded, (+1.2%, *seasonally adjusted*) after a similar drop (-1.2%) in June. Canadian sales climbed 1.5%, more than recovering from a dip (-0.4%) in the previous month. Retailers in every province made gains, although the increase in PEI (+0.5%) was modest. In the rest of the country, sales rose at rates ranging from +1.3% in both Ontario and Newfoundland & Labrador to +3.5% in Nova Scotia. All four western provinces also posted solid growth.

Data Source: Statistics Canada

• Wholesale sales were off again in July, inching down 0.3%, (*seasonally adjusted*) following a decrease in June (-0.6%). Canadian sales were stronger in July (+2.1%) with four provinces recording increases in wholesaling activities. PEI (-5.4%) was the only province where wholesale sales declined by more than 1.0%.

Data Source: Statistics Canada

Tourism

• International visitor entries to Canada through British Columbia fell slightly in July (-0.8%). There were fewer guests from the US

Report

BC's Tourism Industry Picks up Speed in 2005

Did you know...

17% of British Columbians admit that if they backed into someone's car and no one else saw, they would flee the scene without leaving a note Source Ipsos-Reid

(-0.7%) as both same-day (-1.0%) and overnight travel (-0.5%) dropped off. There was also a decline in the number of visitors from overseas (-1.1%), reflecting fewer entries from Europe (-1.2%) and Oceania (-5.3%). Asian visits were up slightly (+0.5%) as an increase in the number of travellers from Hong Kong (+10.4%) and other Asian markets (+11.3%) offset a sharp decline in visits from Japan (-8.0%), Taiwan (-5.3%), and South Korea (-1.7%).

Data Source: Statistics Canada & BC Stats

Research and Development

- **Spending on research and development (R&D) in the province increased 11.9% to \$2.3 billion between 2003 and 2004.** The increase was partly attributable to growth in R&D performance and funding by business enterprises within the province. Just over half (51%) of the funding for R&D in 2004 came from business enterprises. Higher education institutions (19%), the federal government (15%), foreign sources (9%) and the provincial government (6%) also provided funding for R&D in the province.

Business enterprises accounted for over 50% of all R&D performance in BC, Quebec, and Ontario, whereas in Alberta, Manitoba, Saskatchewan and the Atlantic provinces, universities were the leading R&D performers. Gross Domestic Expenditure on Research and Development (GERD) in Canada is expected to reach over \$28 billion in 2006, a 4.4% increase over last year's figures. Increased expenditure on R&D by institutions of higher education (+10.0%) is expected to account for 84% of the estimated growth in GERD this year.

Data Source: SC Cat. #88-001-XIE Vol.30, no. 2

Rural and Urban Health

- **Canadians living in rural and remote areas have generally higher mortality rates than their urban counterparts.** A new report shows that mortality rates were much higher (792 deaths per 100,000 people), in the most rural of areas (those with no commuters to an urban area to work), than for those living in urban areas (668 per 100,000 population). The disparity in mortality rates is most pronounced among young people aged five to 19 and is mostly re-

lated to deaths due to injuries. Deaths attributable to vehicle-related injuries were two to three times higher in rural areas than in cities. Rural residents are also at an increased risk of dying from circulatory disease, respiratory disease, diabetes, injuries and suicide. On the other hand, Canadians residing in rural areas were generally less likely to be diagnosed with cancer than urban residents. In terms of quality of life, rural residents report having lower levels of stress and a stronger sense of community than do urban dwellers.

Data Source: Canadian Institute for Health Information

Prescription Drugs

- **In 2005, retail sales of prescription and over-the-counter drugs exceeded the \$20 billion mark for the first time.** Between 1998 and 2005, the increase in drug sales (+7.9%) in Canada outpaced the growth of overall retail commodities (+5.3%). Retail sales of drugs have been booming in recent years as an ageing population fills millions of prescriptions each year. Over the past decade, more and more pharmacy outlets have emerged in food and general merchandise stores. Pharmacies still dominate the retail drug market, although sales of drugs in general merchandise stores are on the rise. In 1998, for every \$100 in consumer drug purchases, \$5.50 was spent in food stores and by 2005 this share had grown to \$9.00. Similarly, for every \$100 spent by consumers on prescription and over-the-counter drugs in 2005, \$14.10 was spent in food stores, compared to \$10.30 seven years prior. Over the same period, drug sales in pharmacies across the nation increased at an average annual rate of 6.5%, half the pace of growth in sales at food and general merchandise stores (13.8% average annual growth). Although the US has seen a similar increase in retail drug sales, American pharmacies obtained all of the increase, while food and general merchandise stores lost market share.

Data Source: SC Catalogue # 11-621-MIE2006048

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BC's Tourism Industry Picks Up Speed in 2005

A key player in BC's economy

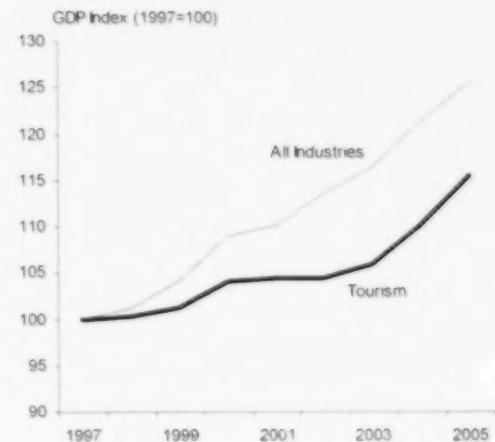
With an estimated 4%¹ of the province's gross domestic product (GDP) and 6%² of jobs reliant on tourism in 2005, the tourism sector is a key player in British Columbia's economy. The sector contributed approximately \$5.4 billion (constant 1997 dollars) to the British Columbia economy, with hotels, motels, restaurants and related establishments producing 38% of its GDP. Air, bus, water and other transportation (34%) industries and retailers (12%) are also significant components. Other industries round out the remaining 16% of total tourism GDP.

Tourism sector picks up speed

Although the number of international visitors to British Columbia shrank (largely because visits from the US continued to wane), tourism GDP, employment and accommodation revenues all showed solid growth in 2005, which was a good year for tourism in the province. The tourism sector outpaced the economy as a whole for the first time since the mid-1990s.

BC attracts visitors from other parts of the country and the US, and travellers from Asia and Europe are also important sources of tourism dollars in BC. As well, many British Columbians vacation relatively close to home.

Tourism sector picks up speed in 2005



Data Source: BC Stats

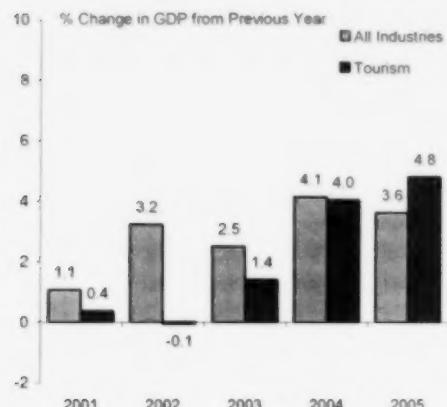
Expenditures on travel are usually discretionary, so economic conditions within BC, nationally, and in other parts of the world all have a prominent effect on tourism. When the economy is growing, people have more discretionary dollars to spend, and it is not unusual to see an expansion in tourist activities in British Columbia in these circumstances.

Internal and external events have resulted in both a downturn in the past and eventual recovery in tourism activities during the last few years. The sector had been lagging behind the all-industry average, but, as of 2005, sits in the much more favourable position of leading other industries in terms of GDP growth.

¹ The GDP estimates in this report are derived using data released by Statistics Canada in April 2006. They are reported at basic prices and are stated in 1997 dollars

² These figures are based on information from the Survey of Employment, Payrolls and Hours (SEPH). SEPH data are derived from payroll information and exclude the self-employed. Self-employment is a significant factor in the tourism sector, and based on information from the Labour Force Survey, it is likely that the actual figure including self-employed workers may be about 20% higher.

Tourism sector outpaces economy as a whole



Data Source: BC Stats

A note on GDP

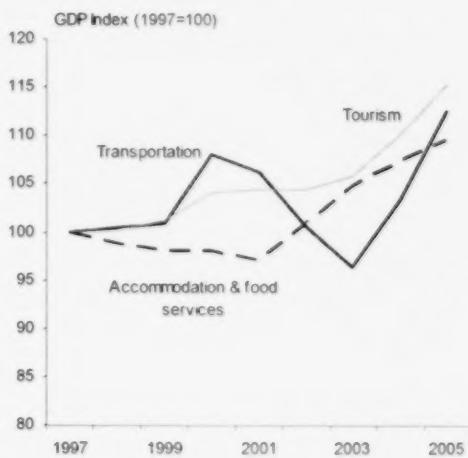
GDP is a measure of the value added to the economy by a particular activity. It is calculated by subtracting the cost of supplies used to produce a good or service from total sales. For example, the price of a restaurant meal covers the cost of food purchased to make the meal, the energy used to cook it, rent and other building expenses, cleaning supplies, accountants fees, and so on. It also includes a mark-up intended to cover items such as wages, profits and depreciation. The restaurant didn't produce the food or energy it used. Its contribution to GDP is only the value added to the economy by the service it provided—the difference between the price paid by the consumer and the inputs (such as food and energy) used by the restaurant.

The GDP figures reported in this article are in constant (1997) dollars. This means that they have been adjusted to eliminate the effects of price changes over time. They are measured at basic prices: i.e. they include subsidies but exclude some indirect taxes.

Factors contributing to growth vary from year to year, but a rise in activity within the accommodation and food component as well as a recovery of the transportation component from its rather dramatic decline in the wake of September 11 and the SARS outbreak are key reasons for this sector's more encouraging performance in more recent years.

GDP in the tourism sector was up 4.8% in 2005, exceeding the increase for the economy as a whole (+3.6%) for the first time in years. For the second year in a row, all major industry groups in the sector posted increases. An improvement of 8.9% in tourism-related transportation was one of the reasons for the upturn. These industries, especially air transportation, had been in a slump earlier in the decade, but have been recovering the lost ground. Accommodation and food services continued to expand (+2.0%), while tourist-related retailing, too, improved (+6.5%). Other industries (ranging from recreational services to health care and other services provided to tourists) in the tourism sector also fared relatively well, posting a 1.9% increase.

Transportation and accommodation & food services on an upward track



Data Source: BC Stats

The tourism sector employs 119,900 British Columbians

The number of British Columbians directly employed in BC's tourism sector increased 2.2% to 119,900 in 2005, accounting for roughly 6% of total provincial employment. These figures include workers in a variety of businesses, ranging from restaurants and hotels to government workers whose jobs are tied to tourist activities. Nearly half (48%) of the jobs are in the accommodation and food industry. Transportation (24%) and retailing (18%) are the other big employers in this sector. All of the tourism jobs are in the service industries.

What is direct tourism employment?

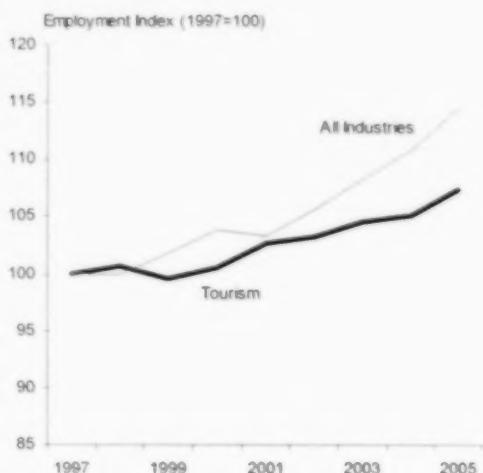
Direct tourism employment is a measure of the number of people working in various industries that serve tourists. It includes workers in industries ranging from accommodation and food services to retailing and even administration.

Direct tourism employment estimates are generated by assigning a percentage of total employment in various industries to the tourism sector. These percentages are calculated as part of the GDP estimation process.

The retail component (18%) of the tourism sector has been responsible for most of the growth in jobs (+4.4%). Employment in accommodation and food industries grew 1.8%, and there were 2.1% more tourism jobs in transportation. Tourism employment in other industries, however, remained flat (+0.0%).

The number of jobs in tourism expanded more slowly and with more volatility than in the economy as a whole. Total employment in British Columbia grew 3.3%³ in 2005, up from 2.4% the previous year. On the other hand, the growth in jobs in the tourist industry increased 2.2% following a more modest gain of 0.5% in 2004. Employment growth in the tourism sector has lagged behind the provincial average since the beginning of the decade.

Employment in tourism is more volatile than in the economy as a whole



Data Source: BC Stats

Tourism employment tends to be rather volatile, reflecting the highly cyclical nature of tourist activities. As the BC economy is experiencing a period of healthy growth, tourism expenditures begin to grow. This, in turn, translates into job gains in the tourism sector.

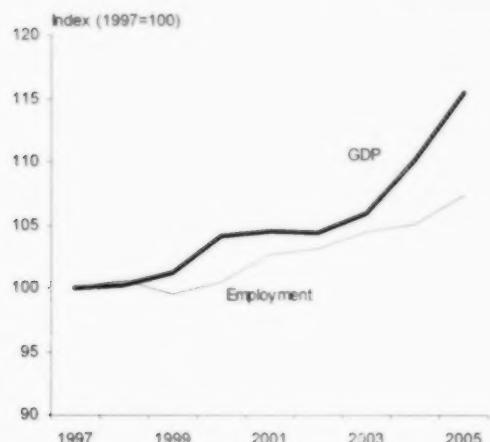
While the number of jobs has been expanding, the increase has not kept pace with GDP growth in the tourism sector. Since 1997, the number of people directly employed as a result of tourism activities has expanded about 7%, while the sector's GDP has increased by nearly a third (32%). The GDP-employment gap has increased significantly in recent years.

Labour productivity gains have likely contributed to the large and growing gap between GDP and employment, but other factors may also be at play. Employment counts do not differentiate between full-time and part-time workers. Employers can increase their labour inputs either hiring new workers, or by giving their existing employees more hours on the job. Since part-time employment is common in many tourism-related industries, this is almost certainly a factor contributing to the expanding gap between GDP and employment growth.

³ This figure is based on the Survey of Employment, Payrolls, and Hours data and excludes self-employment.

Increased use of capital equipment (such as computers, or more efficient aircraft) used by tourism service industries may also have contributed to productivity gains. The growing popularity of Internet-based booking services, and other self-serve options for travellers may also have reduced labour requirements in some industries, although the extent to which this has occurred is not known.

Tourism GDP growing faster than employment



Data Source: BC Stats

Are tourism employment estimates comparable to other employment figures?

Yes, as long as care is taken to ensure that jobs are not double counted. Since the tourism employment figures are calculated by apportioning a share of total employment in each industry to the tourism sector, those jobs must be subtracted from total employment in the relevant industries.

Tourism sector workers earned \$3.8 billion in 2005

Workers in the tourism sector earned an estimated \$3.8 billion in 2005. Of this total, \$1.4 billion (38%) went to workers in the accommodation and food service industry⁴. Transportation,

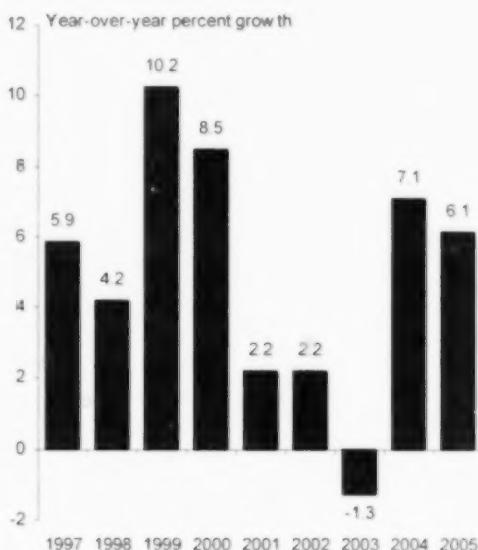
accounting for 42% of the total payroll, recorded a 5.8% increase in wages. Strong, persistent growth in room revenues

Strong, persistent growth in room revenues

Room revenues at hotels, motels and other establishments in British Columbia increased 6.1% to reach close to \$1.7 billion in 2005. This was the second consecutive year in which there has been a significant increase in room revenues.

All regions of the province recorded revenue growth in 2005. For the third consecutive year, Northeast outperformed the rest of BC, posting a growth rate of 21.9%. This follows a gain of 22.1% in 2003, and 12.2% in 2004. Nechako (+15.2%) bounced back from a weak showing in 2004 (-1.3%), while Cariboo (+12.8%) also posted double-digit growth in revenues. Mainland/Southwest (+4.8%) and Vancouver Island/Coast (+5.0%) made significant gains, but growth was slower than in 2004. Thompson-Okanagan (+9.0%) was also a major engine of revenue growth, as were Kootenay (+2.6%) and North Coast (+3.4%).

Room revenues rose 6.1% in 2005



Data Source: BC Stats

⁴ This amount does not include tips and gratuities, which are an important source of income for many workers in the hospitality industries.

Motels (+8.1%) outperformed vacation rentals (+7.2%), hotels (+6.0%) and other types of accommodation properties (including bed and breakfast, fishing lodges and other types of short-term accommodation).

Visitor Entries

A long-run downward trend in entries resumed in 2005, as the number of visitors declined for the fourth time since the turn of the century. After rebounding (+1.5%) in 2004, the number of travellers entering Canada via BC border crossings dropped 3.0% to about 7.2 million in 2005, the lowest number of visitor entries to BC since 1997. Although entries trended up in the first two quarters of 2005, they slumped in the second half of the year.

The US is a major tourism market, accounting for more than 80% of total visitor entries through the province. Visits from the US have been declining since 2001, and continued to slump (-4.8%) in 2005 with same-day entries dropping 6.6% and overnight travel falling 3.5%. These recent declines explain the overall downward trend in total visitor entries and may be, at least in part, due to a relatively steady appreciation of the Canadian dollar against the American dollar along with soaring gasoline prices in recent months and years.

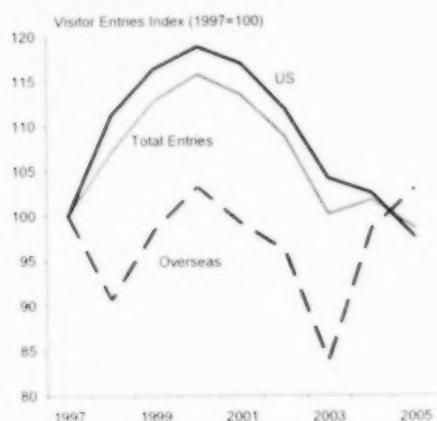
Entries from the US continued to fall, but overseas entries have bounced back to pre-9/11 levels

Travel to BC from overseas markets (+4.6%) continued to climb in 2005, building on a substantial increase recorded in 2004 (+17.6%). The strong growth in 2004 was a result of recovery in Asian entries, which had plunged in 2003 due to the SARS scare. Entries started to trend up in December 2004 and continued to climb through the first two quarters of 2005. In mid-2005, entries from overseas weakened, but regained some of the lost ground at the end of the year.

What's in the future for the tourism sector?

The tourism sector appears to have largely recovered from the dramatic downturn that took place following the September 11th, 2001 attacks and the SARS outbreak in 2003, but continues to lag the rest of the economy in terms of long-run growth. Declining entries from the US have affected tourism operators in the province, with only some of the slack being taken up by visitors from other countries. Since the US is such an important source of tourism dollars, this may well be one of the biggest challenges that the sector faces.

Despite the decline in international visitors, GDP, employment and revenues in the industry are on an upward track, and with the 2010 Olympics looming in the future, it is likely that the sector will remain an important source of growth in the BC economy.



Data Source: Statistics Canada

Tourism GDP and Employment

	2001	2002	2003	2004	2005
GDP at basic prices (\$million)					
Tourism	5,430	5,559	5,528	5,909	6,203
Accommodation & food services	2,086	2,148	2,086	2,337	2,423
Retail	610	617	657	696	758
Transportation & warehousing	1,897	1,897	1,833	1,880	1,997
Other	994	1,063	1,106	1,132	1,154
GDP at basic prices (\$1997 million)					
Tourism sector	4,909	4,906	4,975	5,176	5,424
Accommodation & food services	1,869	1,846	1,833	1,833	1,816
Retail	577	571	592	616	656
Transportation & warehousing	1,725	1,634	1,566	1,680	1,829
Other	790	817	860	873	890
Employment ('000)					
Tourism sector	114.7	115.2	116.7	117.3	119.9
Accommodation & food services	58.4	58.2	58	56.9	57.9
Retail	17.8	18.8	19.6	20.6	21.5
Transportation & warehousing	27.5	27	27.7	28.1	28.7
Other	10.9	11.2	11.4	11.7	11.7

Data Source: BC Stats

Defining the tourism sector

What is a tourist?

- *A tourist is a person who travels to, or stays at, a place outside his/her usual environment for a period of no more than a year.*
- *A tourist can travel either for business or for pleasure. However, migratory workers (those living away from home on a temporary basis in order to be at their place of work) are not tourists.*
- *A tourist does not have to travel far from home, or stay away overnight. Tourists include day-trippers, as well as people making longer excursions.*
- *People visiting their vacation homes or cottages are considered to be tourists.*

It is difficult to measure the extent to which tourism has helped foster growth in British Columbia's economy. As tourism is an activity and not a specific good or service, there is, strictly speaking, no such thing as a "tourism industry." Tourists make purchases from a variety of industries, such as restaurants, which also provide the same services to local residents. This presents a challenge when attempting to quantify the contribution that tourists have made to these particular industries.

Based on studies of the behaviour of tourists, we have a reasonably good knowledge of the economic activity that tourists are involved in while visiting British Columbia, and from this information we are able to infer the degree to which particular industries are dependent upon tourism. This, in turn, enables us to generate GDP and direct employment estimates for the tourism sector.



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Survey Planning

- Performance measures
- Client satisfaction vs. employee satisfaction
- Fundamentals of collecting data and maximizing response

Sampling Methods

- Probability vs. non-probability sampling
- Sample types and exit surveys
- The factors affecting sample size

Questionnaires

- Question structure; open and closed questions
- Rating scales
- Questionnaire design; wording, sequencing and layout

Processing and Analysis

- The "drivers" of satisfaction
- Summarizing, graphing and presenting survey findings

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Refreshments will be served throughout the day



DW

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BC at a glance . . .

POPULATION (thousands)		% change on Apr 1/06 one year ago	
BC	4,292.2	1.3	
Canada	32,501.1	1.0	
GDP and INCOME			
(BC - at market prices)	2005	% change on one year ago	
Gross Domestic Product (GDP) (\$ millions)	168,011	6.8	
GDP (\$ 1997 millions)	144,028	3.5	
GDP (\$ 1997 per Capita)	33,853	2.2	
Personal Disposable Income (\$ 1997 per Capita)	20,693	2.5	
TRADE (\$ millions, seasonally adjusted)			
Manufacturing Shipments - Jul	3,403	-3.8	
Merchandise Exports - Jul	2,740	-6.1	
Retail Sales - Jul	4,476	1.2	
CONSUMER PRICE INDEX		% change on one year ago	12-month avg % change
(all items - Aug 2006)			
BC	2.0	2.0	
Vancouver	2.1	1.8	
Victoria	1.8	2.0	
Canada	2.1	2.5	
LABOUR FORCE (thousands)			
(seasonally adjusted)	Aug '06	% change on prev. month	
Labour Force - BC	2,304	0.0	
Employed - BC	2,193	-0.1	
Unemployed - BC	111	2.3	
		Jul '06	
Unemployment Rate - BC (percent)	4.8	4.7	
Unemployment Rate - Canada (percent)	6.5	6.4	
INTEREST RATES (percent)		Sep 20/06	Sep 21/05
Prime Business Rate	6.00	4.50	
Conventional Mortgages - 1 year	6.40	5.00	
- 5 year	6.75	5.80	
US/CANADA EXCHANGE RATE			
(avg. noon spot rate) Cdn \$	1.1273	1.1693	
US \$ (reciprocal of the closing rate)	0.8860	0.8546	
AVERAGE WEEKLY WAGE RATE			
(industrial aggregate - dollars)	Aug '06	% change on one year ago	
BC	728.13	3.6	
Canada	734.85	3.8	
SOURCES:			
Population, Gross Domestic Product, Trade		Statistics	
Prices, Labour Force, Wage Rate		Canada	
Interest Rates, Exchange Rates, Bank of Canada Weekly Financial Statistics			
For latest Weekly Financial Statistics see www.bankofcanada.ca			

A Guide to the BC Economy and Labour Market

The third edition of the *Guide* is now available. The *Guide* is a useful resource which provides an overview of the provincial economy and the characteristics of its workforce. Written by Lillian Hallin of BC Stats, it focuses on provincial industries with an emphasis on their human resource side. Economic terms are explained and examples provided, so that a background in economics is not needed to understand the material. The *Guide* also provides an historical perspective on how the provincial economy has developed, as well as what it may look like in the future.

www.guidetobceconomy.org

BC and Regional population projections

Projected population to 2031 for British Columbia and a variety of small regions within B.C. (P.E.O.P.L.E. 31).

www.bcstats.gov.bc.ca/data/pop/pop/popproj.asp#admin

Released this week by BC STATS

- Consumer Price Index, August 2006

Next week

- Business Indicators, September 2006
- Current Statistics, September 2006
- Migration Highlights, Second Quarter 2006
- Immigration Highlights, Second Quarter 2006

